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RECIPROCITY

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I have been asked to give my views in regard to the trade arrangement which was made last year between the governments of the United States and Canada and which is popularly known as the Reciprocity Treaty.

I shall not attempt to recapitulate the arguments which have been used upon both sides of the line for and against the suggested arrangement. It would be impossible within any reasonable space to do justice to the arguments in detail and if it were possible it would be wholly futile so far as arriving at an intelligent view of the case is concerned. I shall therefore simply present the case as it appears to my mind in general terms.

A treaty of reciprocity relating to natural products only, as everyone knows, existed between Canada and the United States from 1855 to 1865. That treaty was admittedly of great value to Canada, and its abrogation by the United States against the wishes of Canada brought extreme hardship, loss of markets, loss of employment and much consequent loss of wealth and population.

Thenceforward from time to time efforts continued to be made by Canada to bring about better relations, but every application for reciprocal trade arrangements was promptly rejected by the United States.

Finally, in 1897, a last effort was made by Sir Wilfred Laurier's government. A joint high commission had been appointed to consider and, if possible, to settle matters in dispute between the United States and Canada. The trade question was brought up in these discussions, but the American representatives refused to make even the slightest concessions in the way of opening the United States markets to Canadian natural products.

Shortly after the failure of these negotiations Sir Wilfrid Laurier made an unequivocal pronouncement that Canada would no longer look to the American market. The country accepted that pronouncement as made in good faith and settled down to the

idea that we must develop our trade independently, and by our fiscal legislation, our foreign trade arrangements and our transportation system make ourselves as far as possible independent, of the fiscal measures of the United States.

This policy was followed with great vigor and success during the subsequent years and in consequence thereof the condition of general prosperity which existed in Canada in the year 1910 was such as twenty years before would have been regarded as quite unattainable.

Our position of late years had been singularly satisfactory. Nothing that could be called a serious financial crisis had been known in our country for many years. Poverty in the sense in which it is understood in other countries was and is practically unknown in Canada. The prices of manufactures had risen somewhat, but the prices of farm products had risen much more, so that, in the general prosperity, the farmer, whose interests are predominant with us, had been getting his full share. The revenue was growing rapidly, trade was increasing, mineral and agricultural production was expanding and a great volume of immigration of the highest class was pouring into the country and increasing its productive capacity. Our fiscal system had in the course of thirty-five years been well adapted to the peculiar circumstances of the country. That system was based upon the idea of moderate protection, but not such a protection as to be oppressive, nor such as to encourage or foster the formation of large trusts or combinations with power to oppress the people. Some such abuses no doubt had arisen, but both under the Conservative revision of the tariff in 1894 and the Liberal revision in 1897 objectionable features were removed, and the few possibilities of abuse that still remained under our tariff might easily be rectified if the people would take the trouble to ask for relief.

Under this fiscal system we have, broadly speaking, moderate taxation, a measurable amount of competition varying in different industries and an abundant, buoyant and elastic revenue.

In the campaign which took place last year I made a statement that so far as our information went there was not a country in the world, the population of which, man for man, was upon the average so well situated as that of Canada. I have no doubt that the statement was thoroughly justifiable when it was made and it is quite as true now as it was then.

Upon this stage and under these conditions the reciprocity agreement was suddenly and unexpectedly introduced. It is not too much to say that the whole proposition came as a complete surprise to both political parties in the country. No one was looking for or anticipating any such results from the negotiations. There had been a few public deliverances by men more or less prominent, nearly all of which, I think, were hostile to the idea of reciprocity, and a few business men had in a semi-jocular way expressed the hope that our negotiators would get back safely from Washington. I think, however, that I am quite within the mark when I say that there was no serious anticipation of anything important in the way of a treaty or agreement being arrived at. When, therefore, this far-reaching and revolutionary arrangement was announced it came as a complete surprise.

It was somewhat unfortunate in its introduction. In Canada all such matters are made the subject of a parliamentary statement by a member or members of the government of the day. In this case the business was in the hands of Mr. Fielding, Minister of Finance, and Mr. Patterson, Minister of Customs. No one doubts the ability of either of these experienced parliamentary debaters to bring to bear the necessary industry and capacity and to make the very most out of any case committed to their charge, but, strange as it may appear, neither Mr. Fielding nor Mr. Patterson nor the other members of the government ever seemed to realize that they were engaged in the fight of their lives, and that it was necessary for them to get to work and really argue the case. From the very first all of these gentlemen seemed to have been placed at a serious disadvantage by reason of the fact that they apparently thought a mere statement of the terms of the treaty to be sufficient to carry it without any backing of facts or arguments. This idea was due to what appeared to be a lack of realization of the changed conditions of commerce and industry as a result of what had taken place during the previous eighteen or twenty years. There was a time, for instance, when the cry of "free fish" would have swept the Maritime Provinces and when the cry of an enlarged market for hay, potatoes, barley, cattle and dairy products would have swept Ontario and Quebec, but conditions had changed in twenty years and the case had to be argued from new premises altogether. My observation led me to the conclusion that there was a very consider-

able lack of appreciation of this fact on the part of the government. As a result of this, while no doubt there was a filip of favorable public sentiment on the first statement of the terms of the agreement, yet so soon as issue was joined in serious argument the impression went abroad that the government side was getting the worst of it. So far as the discussion in the press was concerned, the government side was not well served. The Liberal press, speaking generally, excels rather in attack than in defense. In this case, with one or two exceptions, there was a noticeable lack of thoroughness and vigor in the defense put forward in the Liberal organs. Naturally these papers took their cue from the government, and went in the early stages of the game too much upon the assumption that the mere statement of the terms would win approval. When in the middle of the campaign they found that this idea was fallacious, it was too late to retrieve the position, even if they had the weight of merit upon their side.

A considerable number of Liberals prominent in business openly and unequivocally attacked the reciprocity agreement. In the House of Commons, however, only three Liberal members broke away. The government was able to hold its following in the house and senate almost unbroken.

In the campaign which followed and terminated on the twenty-first of September, 1911, there was practically no serious discussion of any other subject than reciprocity. The government went into the campaign with a majority of about fifty. It came out in a minority of about fifty. There was no reason in the world to suppose that the opposition had any prospect of immediately defeating the government until this question came up. In fact, the opposition had in 1908 exhausted every possible effort and used every available weapon without success. At the beginning of the session of 1911 the opposition was to all appearances hopelessly out of the running and the government very strongly entrenched in office. The reciprocity issue arose. The government forced it forward in a general election. The opposition accepted the issue and won the election upon it and upon it alone. There has been much talk about other influences affecting the election. It has been said that the Ne Temere Decree affected the Protestant vote and that Protestants generally were disaffected toward Laurier. I think I know how far this idea prevailed. In my judgment, while no doubt

a few hundreds of voters were affected by these arguments, as in every election there will be little eddies of sentiment which have nothing to do with the main issue, I am perfectly satisfied that these side issues were of comparatively little importance and that the victory of the Conservative party in the election was practically due to the reciprocity issue and to it alone. The reason that the Conservative party swept the Province of Ontario, where in fact the victory was won, was because the people of that Province were thoroughly and whole-heartedly opposed to the trade agreement.

What were the reasons?

The short recital given above affords the key to the most important arguments used in favor of the winning side.

Canada had time and again been refused any consideration by the United States and had finally, at great sacrifice and with tremendous efforts, made herself commercially independent. Her products went to widely scattered markets, but there was little or no chance that she would ever be put to serious inconvenience by the closing of these markets. A careful survey of her position showed a degree of commercial independence which under the circumstances was rather surprising and very gratifying to the national pride of Canadians. It was felt that if we consummated the proposed treaty with the United States our trade would follow the line of least resistance. As stated by a New York paper, the reciprocity agreement would check the east and west development of Canada and make that country a business portion of the United States with the lines of traffic running to the north and south rather than to the east and west. The immediate and inevitable result of this would be that Canada would become absolutely dependent upon the fiscal policy of the United States and at the mercy of American tariff changes. It might be said that the United States would be equally interested in our fiscal policy, but the conclusive answer to that argument was that what might be vital to Canada with its eight million people and its small productions, would be of comparatively trifling importance to the United States with its ninety million people and its enormous volume of production. It would be, in fact, a case of partnership with one partner so undeniably predominant that the weaker partner would be in the position of the Roman philosopher who feared to press his argument

with Augustus too far because it was not wise to press too hardly in argument upon "the master of thirty legions."

In a word, the judgment of the business men of Canada was that the reciprocity agreement, if carried into effect, would mean a commercial alliance which would of necessity have to be carried further, and that as a necessary result of such an alliance the United States, being the greater, wealthier, stronger and more populous country, would dominate Canada's commercial policy and development.

It was, and is, believed that reciprocity in natural products would lead to reciprocity in manufactures. It was, and is, believed that the predominance of the United States in commercial legislation would lead to loss of control on our part of our undeveloped natural resources and especially of our water powers. It was, and is, believed that these results would not only affect us in the matters particularly mentioned, but would subordinate Canada to the United States in such a way as to interfere with her national independence.

Following this idea, it will be readily seen that Canadians who take seriously the idea of Canada's position in the British Empire had every cause to be alarmed. To place the most important unit of the British Empire, outside of the British Isles, under the domination of a foreign though friendly power would be a long step toward disintegration. Your publicists who said that this trade agreement would bind Canada to the United States and strike a blow at the consolidation of the British Empire were absolutely right and we who fought against it realized that fact and had a full appreciation of its importance.

Taking the Dominion by sections, the result was that Nova Scotia, Prince Edward Island and New Brunswick were on the whole slightly but still decidedly unfriendly to the agreement. In Quebec, strange as it may appear, I can find no evidence that reciprocity seriously affected the rural voters or influenced them in the exercise of their franchise. On the other hand, the manufacturers, financiers, railway men and commercial men of Montreal and vicinity were practically a unit against reciprocity and their influence undoubtedly accounted directly or indirectly for fifteen or eighteen of the Quebec constituencies which were carried by the opposition.

The Province of Ontario was almost solidly opposed to the agreement. My own belief is that even the election returns which

gave seventy-three seats to the Conservatives and thirteen to the Liberals did not represent the real sentiment against the agreement. I knew fairly well the sentiment of Ontario as it was just previous to the election and I now believe that quite one-half of those who voted in favor of the Liberal government were at heart opposed to its policy. In fact, there was no heart in the contest on the part of the Liberal party in the Province of Ontario and there was apparently no mourning in its camp so far as the rank and file of the voters were concerned when it was defeated.

Winnipeg and the urban centers of the prairie provinces were generally opposed to reciprocity. The farmers were strongly in favor of it.

British Columbia was lost to the Liberals in any event on account of party disorganization and incompetent leadership, but it is fairly safe to say that the Province as a whole is against reciprocity.

Summarizing the case, we have the fact that a government, strongly entrenched and well organized, led by a man who is perhaps the most striking and brilliant personality in the British Empire, with a record of statesmanlike achievement behind it, went into a fight on the question of reciprocity and was hopelessly routed. No single portion of the Dominion, except the farmers of the three prairie provinces, showed the slightest enthusiasm for the policy of the government, while in the other parts of the country thousands of ardent Liberals went over to the opposition.

The opposition remains unchanged and unchangeable to-day. It is a deliberate, calculated and determined opposition. I am perfectly satisfied that if the House of Commons were dissolved to-morrow and Sir Wilfrid Laurier proclaimed in unmistakable terms his intention of going to Washington to negotiate a new treaty or to consummate the old one, he would be disastrously defeated. In fact, his defeat would be more decisive than it was last fall.

But it is difficult to see how such a case can again arise. The proffer of reciprocity on what seemed very liberal terms by the government of the United States was undoubtedly a high political play on the part of that government. The play was made to meet a most unusual and embarrassing condition of affairs within the ranks of the Republican party. The measure was supported by the Democrats in congress, because to support it was at once the simple, straightforward and politic thing to do. But circumstances have

changed and it may safely be said now that the conditions which brought the offer of reciprocity from the United States are not likely to recur.

Under all the circumstances, therefore, I conclude that reciprocity is not any longer in the least degree a practical political question. The question is not likely to return to the people of Canada in the form in which it was presented last year, but if it does so return it will undoubtedly be answered in precisely the same manner in which it was answered then.

Something should be said with regard to the ideas which in the main actuated the great body of those who were led to take an unusually active and determined part in the election. It should be stated in the most emphatic terms that there was no idea of hostility or unfriendliness to the United States at the root of their action. I think that most people thought that the treaty was a very liberal one from the standpoint of the United States. I never heard very much in the way of suggestion that the United States should have offered more or that our negotiators should have demanded more. The underlying motive was of a different character altogether. The people believed that the development of the two countries under the reciprocity policy was bound to interfere with the commercial independence of Canada and that idea was fatal to the success of the policy proposed.

Our people thoroughly recognize the greatness of the United States and its phenomenal success along many lines of human endeavor. It is, however, the opinion of our most thoughtful people that your constitution is now approaching its supreme test. We look with some apprehension upon your labor difficulties. We think also that your attempt to regulate the great monopolies which have arisen will tax the energies of the nation to the utmost. We most sincerely wish you well in the efforts which you are so manfully making. Nowhere has the tree of Liberty borne more glorious fruit than in the United States, and it is the sincere hope of every true lover of freedom that you may go from triumph to triumph exhibiting to the world a shining and inspiring example.

Your present problems, however, are vastly more complicated and difficult of solution than our own. We shall have in one way or another all these problems to solve, but they will come in smaller volume and in a form much less difficult to handle. We anticipate no serious difficulty in curbing any trusts or combinations that

may arise in Canada and in placing production upon a legitimate and proper basis. We feel also quite able to deal with questions affecting our great transportation systems. In fact, most of the machinery is already provided and working well. We, however, wish to deal with these questions and to regulate them in our own way without pressure from abroad and without feeling that great financial interests outside of our jurisdiction are being exerted to influence our decision.

There remains a word or two to be said upon a phase of the question which still remains as a tax upon the statesmanship of Canada. I refer now to the apparently conflicting interests of the farmers of the prairie provinces and the financial and manufacturing people of the East. There is little doubt that the majority of our western farmers desire a modification of the fiscal system. They consider themselves unjustly treated by the tariff upon manufactured goods and their ideas of relief run largely toward greater freedom of commercial intercourse with the States which lie to the south of them. In point of fact a close analysis shows that most of the disadvantages under which they labor are incidental to the very rapid development of the country and are likely to disappear in a comparatively short time with the progressive improvement of facilities and commercial and industrial organization. It is quite certain, however, that the farmers of the West are and will continue to be favorable to low tariff and the fewest possible restrictions upon trade. Their political influence may be permanently counted on in that direction. Particularly it may be said that if the present government, which is avowedly a protection government, should be tempted to raise the tariff upon manufactured goods so as to foster further combinations and enhancement of prices, thus resulting in an increased tax upon the western farmer, his voice will be heard with no uncertain sound and a tariff war of vigorous proportions will undoubtedly follow. There is, I am free to say, no indication as yet that Mr. Borden and his colleagues have any intention of following such a policy. But whatever may be the policy of the government, the predominant sentiment of the western prairie farmer will be for low tariff and the fewest possible restrictions. These sentiments will be modified by the knowledge that no one section of the country can have its own way entirely and that fiscal policy in a country of great extent and diversified interests must of necessity be a matter of compromise.